

## Message Text

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ACTION EUR-08

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FM AMCONSUL MILAN

TO AMEMBASSY ROME IMMEDIATE

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C O N F I D E N T I A L MILAN 1604

LIMDIS

E.O. 11652: XGDS-3 DECLAS 9/4/85

TAGS: PINR,PFOR,IT

SUBJECT: THE POLITICAL VIEW FROM MONTEDISON

1. MEMCON WITH GIOACCHINO ALBANESE, INTIMATE OF MONTEDISON  
HEAD EUGENIO CEFIS, MILAN, 3 SEPT 75.

2. ALBANESE OFFICIALLY TITLED ASSISTANT TO THE PRESIDENT, IS  
REPUTEDLY CEFIS BAGMAN AND FIXER WITH PRESS - PRINCIPALLY  
CORRIERE DELLA SERA, IL GIORNALE AND MESSAGGERO WHICH MONT-  
EDISON OWNS OR INDIRECTLY FINANCES. YOUNG, ARTICULATE,  
REPORTEDLY PRO-SOCIALIST, ALBANESE SPEAKS ENGLISH AT ABOUT  
S-4 LEVEL AND IS UNDOUBTEDLY ONE OF CEFIS' INTIMATES.

3. ALBANESE SAID BUSINESS OUTLOOK INCREASINGLY GRIM. AT MEETING  
WITH CEFIS BEFORE LUNCH THEY EXAMINED BLEAK PICTURE WITH MONT-  
EDISON PRODUCTION AT 40 PERCENT CAPACITY (BREAKEVEN 80 PER-  
CENT AND PEAK IN '74 WAS 95 PERCENT), LOSS A BILLION LIRE EACH  
WORKING DAY, AUG 1975 DOWN FROM AUG '74 AND NO SIGNS OF  
IMPROVEMENT. AT THIS RATE MONTEDISON ABLE TO HOLD OUT ABOUT  
TWO YEARS BEFORE COLLAPSE.

4. POLITICAL SITUATION MAJOR TROUBLE, HE CONTINUED. THERE  
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WAS SIMPLY NO GOVERNMENT. EVERYONE SAW SERIOUSNESS OF ECONOMIC

CRISIS BUT NO ONE WAS DOING ANYTHING ABOUT IT. HE COULDN'T EVEN FIND MINISTERS IN ROME THESE DAYS TO TALK WITH. THAT WAS A COROLLARY OF THE VACUUM IN LEADERSHIP. THERE WERE NEITHER GOVERNMENT LEADERS NOR PARTY LEADERS EXCEPT FOR COMMUNISTS. THEY HAD SURGED AHEAD LESS BECAUSE OF THEIR MERIT THAN BECAUSE OF THE COLLAPSE OF THE PARTIES. HE BELIEVED IN DEMOCRATIC BONA FIDES OF BERLINGUER AND OTHERS BUT WAS SURE THEY WOULD BE REPLACED BY MOSCOW LOYALISTS ONCE IN POWER.

5. ECONOMICALLY, ITALY WAS SOUND, HE MAINTAINED. THE WORKING MAN, THE MANAGERIAL CLASS, THE TECHNOLOGY AND INFRASTRUCTURE WERE THERE AND FUNCTIONED. BUT THERE HAD TO BE NATIONAL POLICY TO INTEGRATE THE FORCES OF A MIXED ECONOMY. AND THERE WAS NONE.

6. CEFIS HAD ABSOLUTELY NO DESIRE TO GO INTO GOVERNMENT. THAT WAS NOT HIS FIELD. HE COULD SUPPORT OR HELP BUT NOT LEAD. NOR WAS AGNELLI A CHOICE. HE WANTED POWER BUT NOT OFFICE. AND HE WAS UNSTABLE, AN ADVENTURER, HAD EXPERIMENTED WITH DRUGS, WOMEN, ETC. (NOTE: CEFIS AND AGNELLI ARE NOTORIOUSLY BITTER PERSONAL ENEMIES AND ALBANESE'S REMARKS WERE CONSISTENT WITH HIS BOSS' POSITION).

7. THE UNITED STATES BORE ITS SHARE OF RESPONSIBILITY FOR THE PRESENT ITALIAN CRISIS HE SAID. FOR SOME YEARS IT HAD STOPPED PLAYING A ROLE IN ITALIAN AFFAIRS AND THAT FAILURE TO CONTINUE TO EXERCISE ITS INFLUENCE HAD ENCOURAGED THE PRESENT DISINTEGRATION. TODAY, HE CONTINUED, THE UNITED STATES SHOULD GET BUSY. HE DIDN'T KNOW WHETHER THE PRESIDENT WOULD SEND IN THE MARINES THREE YEARS FROM NOW TO PREVENT A COMMUNIST TAKE-OVER. BUT IF THAT WERE EVEN A POSSIBLE US COURSE OF ACTION, IT WOULD BE WISER TO ACT POLITICALLY RIGHT NOW. IN THE ABSENCE OF AN INTERNAL CATALIZER OR RALLYING POINT, ALL THE DRIFTING NON-COMMUNIST ECONOMIC AND POLITICAL FORCES IN ITALY WERE FLOATING AND POWERLESS. THERE WAS NEED FOR SOMEONE TO TAKE THE INITIATIVE TO PULL THE SITUATION TOGETHER. THE UNITED STATES COULD DO THAT IF IT WANTED TO. BIG BUSINESS COULD NOT.

8. ALBANESE SAID THAT THE CORRIERE WAS LOSING MONEY HEAVILY. IT WAS IN THE HANDS OF COMMUNISTS AND TO TRY TO BREAK THEIR CONFIDENTIAL

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HOLD WOULD MEAN EVEN GREATER DEFICITS. RONCHEY AND STILLE WERE ABOUT THE ONLY FRIENDS THE US HAD ON THE STAFF. BUT IT AND THE OTHER PRESS CEFIS CONTROLLED WERE USEFUL TO MONTEDISON IN SEVERAL WAYS. FIRST, CONTROL PREVENTED ATTACKS ON THE COMPANY WHICH WERE EXTREMELY COSTLY ON ISSUES LIKE POLLUTION, FERTILIZER PRICES, ETC. SECOND, CONTROL PROVIDED A MEANS OF LEVERAGE TO INDUCE PUBLIC OFFICIALS TO DO THINGS THAT THE COMPANY NEEDED THAT THEY WOULD NOT OTHERWISE DO. FINALLY, THE PAPERS COULD

PLAY A POLITICAL ROLE. THIS WAS THE REASON WHY CEFIS HAD CREATED IL GIORNALE. HE PLANNED TO HELP MAKE FANFANI THE POLITICAL POWER IN ITALY THAT WAS SO DESPERATELY NEEDED. BUT FANFANI HAD DESTROYED HIMSELF AND THAT LEFT IL GIORNALE WITHOUT A RAISON D'ETRE. IN THAT CONNECTION, MESSAGGERO WAS UP FOR SALE BUT CEFIS COULDN'T FIND A BUYER - EVEN FOR A PAPER IN THE BLACK.

9. HE DID NOT GIVE POLITICAL GUIDANCE TO THE CEFIS PAPERS. WHAT COULD HE TELL THEM TO DO? THERE WAS NO PLAN, NO POLICY, NO AGREEMENT ON STRATEGY OR OBJECTIVES. ALL HE TOLD THEM NOW WAS TO LAY OFF OF MONTEDISON. IF THERE WERE A POLICY OR LEADERSHIP, THAT MIGHT BE DIFFERENT. BUT RIGHT NOW, THERE WAS A VACUUM.

10. MEANWHILE, MONTEDISON PLANNED MAJOR EXPANSION IN THE US. THERE WAS A TREMENDOUS MARKET AND GREAT OPPORTUNITIES.

11. HOW COULD ALBANESE SQUARE THIS EXPANSION IN THE US AND COLLABORATION WITH THE US WITH THE PERSISTENT ANTI-US ORIENTATION OF THE CORRIERE DELLA SERA? HE FLUSHED, LOOKED HURT, THREW UP HIS ARMS AND SAID THAT MONTEDISON DIDN'T REALLY OWN THE CORRIERE, IT ONLY LOANED THE MONEY TO ENABLE RIZZOLI TO BUY IT. FINA

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